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ANNUAL  
REPORT

FOR THE YEAR ENDED DECEMBER 31

**1965**





*The English text of this annual report  
can be obtained by writing  
to the Company, at 7 King Street East,  
Toronto 1, Ontario, Canada.*

*On pourra se procurer le texte français  
de ce rapport annuel en s'adressant  
à la Société, 7 King Street East,  
Toronto 1, Ontario, Canada.*

# THE PATIÑO MINING CORPORATION

(No Personal Liability)

## Directors

Count du Boisrouvray, Geneva  
E. R. E. Carter, Toronto  
George Gutierrez, Toronto  
William F. James, Toronto  
S. P. Ogryzlo, Toronto  
Jaime Ortiz-Patiño, Geneva  
Antenor Patiño R., Paris  
Sidney H. Robinson, Q.C., Toronto  
F. G. Tucker, Toronto  
William P. Wilder, Toronto

## Officers

Antenor Patiño R., Chairman of the Board  
E. R. E. Carter, President and Managing Director  
George Gutierrez, Vice-President  
S. P. Ogryzlo, Vice-President  
F. G. Tucker, Vice-President  
P. J. Keenan, Treasurer  
J. A. McKee, Assistant to the President  
J. D. Kadlec, Economist  
J. W. Lay, Secretary  

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C. M. Marshall, Manager, Copper Rand Mines Division

## Head Office

Chibougamau, Quebec

## Executive Office

7 King Street East, Toronto

## Transfer Agents and Registrars

National Trust Company, Limited, Toronto and Montreal  
Eastern & Chartered Trust Company, Saint John

## Auditors

Price Waterhouse & Co., Toronto



# THE PATIÑO MINING CORPORATION

(No Personal Liability)

## DIRECTORS' REPORT

With deep regret, we report the death on June 20, 1965 of Mr. Jorge Ortiz-Linares who had been a director of this Company and its predecessors in Canada since 1945. Mr. Ortiz-Linares' death was a severe loss. We pay tribute to his personal qualities and record the value of the services which he rendered. We are pleased that his son, Mr. Jaime Ortiz-Patiño, has been appointed to the Board.

We submit herewith the Annual Report, including Consolidated Financial Statements for the year ended December 31, 1965 comprising the Balance Sheet, Statements of Earnings, Earned Surplus and Source and Application of Funds and the Auditors' Report.

The year under review was favourable for your Company's interests. The Copper Rand Mines Division showed improved results because of the higher copper price but the full benefit was diminished by a decline in ore grade, rising costs and labour scarcity. The mining exploration program was enlarged in expenditure and scope. Advocate Mines Limited had a more satisfactory year. Earnings of Brunswick Mining and Smelting Corporation Limited attained a high level and its expansion program proceeded satisfactorily. Southern Maryland Agricultural Association showed record earnings and purchased an established trotting track in New Jersey, U.S.A. McWood Corporation achieved its highest earnings. Canadian Dredge & Dock Co. Limited was financed successfully and purchased a new venture. General Tin Investments Limited acquired a majority holding in British Tin Investment Corporation, Limited so that the latter and Consolidated Tin Smelters Limited are now its subsidiaries.

The changes made in your Company's major investments during the year were: increases in the holdings of General Tin Investments Limited and McWood Corporation to 61% and 19% respectively; the acquisition (concurrently with a management contract) of certain convertible debentures of Canadian Dredge & Dock Co. Limited which would increase your Company's interest to 30% after full conversion.

Earnings, cash flow and net worth of your Company attained higher levels. Gross revenue from metal shipments was \$11,788,595 (\$11,915,366 in 1964) and

- (i) profit before deducting deferred expenditures written off and depreciation was \$4,069,620 (\$3,829,751)—\$1.05 (99c) per share;
- (ii) net cash generated from mine operations and dividend income, after expenditure of \$1,002,548 (\$1,233,396) on capital additions, deferred development and deposits, was \$3,067,072 (\$2,596,355)—80¢ (67¢) per share;
- (iii) net profit after deducting deferred expenditures written off and depreciation was \$2,162,346 (\$1,976,045)—56¢ (51¢) per share.

*To achieve proper comparisons, all per share calculations have been based on the 3,862,000 shares presently outstanding.*

Issued share capital increased by 209,500 shares to 3,862,000 shares by the exercise of outstanding options, including purchases under the Employee Stock Option Plan. Dividends of 25¢ (20¢) per share

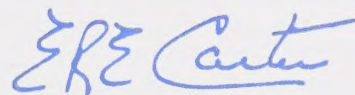
aggregating \$952,110 (\$730,306) were paid. Canadian shareholders benefitted from a 10% depletion allowance and non-residents were subject only to a 10% withholding tax. Earned surplus increased from \$7,267,881 to \$8,478,117. Working capital decreased by \$1,586,304 because of investment purchases.

At December 31, 1965 non-consolidated subsidiary companies were carried at a cost of \$11,519,578 (\$10,378,544). Investments in other than subsidiary companies, carried at a cost of \$14,877,392 (\$11,113,493), had a market or estimated value of \$31,267,303 (\$28,198,856).

Metal prices should remain buoyant and we anticipate improved results in 1966. The overall growth of your Company continued. The cohesion of the Patiño Group has become stronger and will continue. Our increased exploration activities and our search for new investments will proceed unabated.

The support and efforts during the past year of Simon I. Patiño Succession, the Corporation's executives and employees are gratefully acknowledged.

On behalf of the Board of Directors,



Toronto, Canada, March 29, 1966.

President and Managing Director.



## MINERALS REVIEW

### COPPER

High demand and tight supply led to substantial increases in the producer price (in Canada from 35¢ to 45¢ per pound) and wide fluctuation in the London Metal Exchange price (from £385 to £567 per ton). Industrial activity in the main copper consuming countries, Vietnam and threatened conflicts in other areas, strikes and political strife in Africa and South America indicate that copper will remain in short supply during the current year and that the price over the foreseeable future will not decrease sharply. Rising costs, inflation and the shortage of trained labour discount the real value to the producer of the price increase.

### TIN

Releases of tin from the United States stockpile continued to meet a production shortfall estimated at 20,000 tons in 1965 with production of 202,000 tons and consumption of 222,000 tons. There is little likelihood that production will increase to narrow this gap substantially in the near future. During 1965 the price of tin after opening at £1,311 per ton, had lower and upper limits of £1,191 and £1,622 per ton and settled at around £1,400 per ton at the end of the year. Over the short term stockpile sales will continue to meet the shortfall in production but this is only a temporary solution. Tin remains susceptible to political factors.

### LEAD AND ZINC

Despite a substantial increase in world production during 1965, especially from Canada, demand for lead continued to outstrip production. The shortfall was met by inventory reduction and United States stockpile sales. Production will rise again in 1966 and even with a rise in demand, output will likely balance demand. Consequently it is unlikely that there will be any upward pressure on prices during 1966.

Zinc metal remained in tight supply during 1965 although substantial production increases, especially from Canada, coupled with stockpile releases by the United States eased the situation. The producer price of £110 per ton held throughout the year. Further production increases during 1966 should enable production to meet demand. Although the price for 1966 should be firm several factors could exert downward pressure on the price of zinc: a pause in industrial activity, easing of world tension, further stockpile releases, increased metal sales by the Soviet bloc.

### ASBESTOS

The high level of industrial activity in the Western World overcame the downward pressure on fibre prices. Demand for Group 4 fibre is particularly good. Consumption continues to grow and is being met, in part, by increased exports of Russian fibre. To a degree the asbestos price structure is dependent on the production and marketing policies of the Russian producers.

## COPPER RAND MINES DIVISION

Details of the operations at the Copper Rand, Portage, Jaculet, Bouzan and Quebec Chibougamau Mines are set out in the attached Report of the Management.

Operating highlights:

	1965			1964		
Average daily milling rate (tons)		1,837			1,862	
Aggregate tons milled		663,251			674,131	
	Copper	Gold	Silver	Copper	Gold	Silver
Mill head grade . . .	2.25%	0.047 oz./ton	0.31 oz./ton	2.36%	0.067 oz./ton	0.35 oz./ton
Concentrate grade . .	24.54%	0.441 oz./ton	3.14 oz./ton	25.36%	0.620 oz./ton	3.16 oz./ton
Recovery . . . . .	95.15%	82.13%	78.2%	96.14%	82.76%	80.70%
Contained metal shipped . . . . .	27,915,099 lb.	24,451 oz.	166,381 oz.	30,513,559 lb.	36,986 oz.	186,006 oz.

Production in 1966 should approximate that in 1965.

After milling 663,251 tons during the year, ore reserves at the end of 1965 were 4,816,000 tons grading 2.44% copper and 0.063 oz. gold compared to 4,487,000 tons grading 2.49% copper and 0.061 oz. gold reported a year ago.



In 1965, \$1,002,000 were spent on capital additions, deferred expenditures and deposits. The estimated expenditure for 1966 is \$1,000,000.

The average price reflected in earnings for copper produced during the year was 38.08 cents per pound compared to 33.91 cents per pound in 1964. The price increased substantially at the year end but this will be offset to a material degree by higher costs stemming from increased wages, taxes and a scarcity of trained personnel.

## MINERAL EXPLORATION

A vigorous search for new mines was maintained throughout the year. Exploration was carried out alone and in participation with others in several parts of Canada and in Ireland, Cornwall and New Caledonia. In addition, 36 properties were examined and engineering data were reviewed on 74 others.

In the Chibougamau district prospecting and ground checking of airborne geophysical anomalies continued. 44 of these anomalies were investigated on the ground. Three were drilled and were found to be due to graphitic zones and barren sulphides. Several others require further study and diamond drilling.

North of Timmins, Ontario, geophysical surveys were completed on three properties and several anomalies were tested by 3,151 feet of diamond drilling. Nothing of interest was intersected. One property remains to be drilled.

In the Gaspé Park area of Quebec diamond drilling of a geophysical anomaly by Southern Maryland Agricultural Association together with two other companies resulted in the discovery of an interesting low-grade copper deposit. The area of mineralization is intruded by numerous acid dikes and considerable drilling will be necessary to outline the deposit. At year-end the indicated tonnage of ore was not large. Other investigations included ground geophysical surveys and drilling on an optioned property. No mineralization of economic interest was intersected but further drilling is to be done.

In Ireland, in partnership with another company, detailed geological and geophysical investigations were conducted throughout the year on 11 prospecting concessions in Clare and Galway Counties. Several locations on concessions to the south of the Northgate mine which show anomalous values in lead and zinc are to be tested by diamond drilling.

In view of the indicated shortage of tin, studies were made of old tailing dumps in the Cornwall district, southwest England, jointly with an associated British company. A 250 ton per day plant was constructed in Camborne and is now treating some of the material on a test basis. Options are held on 25,000 acres of mineral lands in the area, including a number of the old mines. Geochemical and geological studies have been completed and some diamond drilling is planned.

Late in the year exploration was undertaken on lateritic nickel deposits in New Caledonia. Potentially large tonnages of low-grade nickel-bearing serpentine occur in the areas under investigation. Work on this project is continuing.

In northern British Columbia geological and geophysical surveys followed by trenching and 4,600 feet of diamond drilling were carried out on an optioned property south of Dease Lake by Lytton Minerals Limited, an associated company. Widespread low-grade copper mineralization was located and drilling will be resumed next summer.

## GENERAL TIN INVESTMENTS LIMITED

During 1965 G.T.I. increased its holdings in ordinary shares of Consolidated Tin Smelters Limited to 56% and in ordinary shares of British Tin Investment Corporation, Limited to 51%. The Group has substantial marketable assets at its disposal, both in sterling and dollars, in addition to its tin investments and an active search is being pursued for proper areas of investment. The financial stake in South East Asia was further reduced and substantial sums were invested in Australia. The earnings of the member companies of the Group were satisfactory in 1965—the fiscal year ends of G.T.I. and C.T.S. are now June 30, and March 31 respectively so recent results are not available. The assets showed an acceptable increase in value and in the Group now aggregate approximately £22 million (about \$66 million).

Despite the uncertainties referred to last year and which in large part remain unchanged now, namely the recurring pressure on sterling, the future levels of British taxation, the difficulties in Bolivia, Malaysia and Nigeria we are confident that the role of the Group can be directed and accelerated to its distinct advantage.



## BRUNSWICK MINING AND SMELTING CORPORATION LIMITED

The indicated results of the first full year of production disclose a daily milling rate of 4,541 tons which produced 103,155 tons of zinc, 37,712 tons of lead, 761 tons of copper and 2,264,023 ounces of silver with a gross metal value of \$45,050,525 or a net value, after marketing expense, of \$25,322,026. After other income (\$40,122) and cost of production (\$8,137,321), the mine operating profit was \$17,224,827 which administration (\$333,206), interest on bank loans and bonds (\$1,313,998), amortization and mining tax (\$2,535,000) reduced to a net profit of \$13,042,623.

The expansion of the complex is proceeding: the open pit orebody (Number 6) is being prepared for production and a new 2,250 ton per day concentrator adjacent to the present concentrator at the Number 12 orebody to process the ore from the open pit mine will be ready in May; the lead and zinc smelter of East Coast Smelting and Chemical Company Limited, a wholly owned subsidiary of Brunswick, using the Imperial Smelting Process is scheduled to start-up in August; the sulphuric acid plant, constructed in conjunction with the smelter, is nearing completion; negotiations between Brunswick and Albright & Wilson Limited, an important world-wide chemical company, for the construction of a substantial fertilizer plant have been announced. The financing for these developments has been arranged on favourable terms. In addition, Brunswick has announced that as resources and time permit further expansion of the enterprise will be undertaken.

## McWOOD CORPORATION

For the fiscal year ended May 31, 1965, record sales, earnings and cash flow were achieved and over \$9 million were invested in new plant and equipment.

Comparative operating highlights for each of the fiscal years ended May 31 are:

	1965	1964	1963
Gross operating revenues.....	\$163,044,020	\$126,718,175	\$102,126,050
Net cash flow.....	\$ 3,987,893	\$ 2,628,046	\$ 1,621,988
Depreciation and amortization.....	\$ 1,773,914	\$ 1,089,885	\$ 856,628
Net earnings.....	\$ 2,012,105	\$ 1,488,524	\$ 698,923
Net earnings per share.....	\$ 1.29	\$ 1.05	\$ .51
Cash flow per share.....	\$ 2.55	\$ 1.87	\$ 1.21
Total assets.....	\$ 40,103,950	\$ 26,347,420	\$ 18,421,840
Outstanding shares.....	1,565,376	1,382,960	1,310,000
Barrels of crude oil sold, gathered or refined...	57,058,408	41,943,965	33,759,639
Barrels of crude oil refined.....	6,066,269	4,854,175	1,096,975
MCF of gas produced—net.....	833,502	983,315	767,299
Barrels of crude oil produced—net.....	27,364	4,535	6,566
MCF of gas processed in Company's plants....	5,646,119	1,189,880	699,130
Barrels of gas liquids recovered.....	362,424	71,720	34,478

For the six months ended November 30, 1965, McWood reported unaudited results (results for the comparable period of the previous fiscal year are shown in brackets) as follows: operating revenues—\$92,117,792 (\$76,788,317); net earnings—\$804,803 (\$847,842); net cash flow—\$1,853,187 (\$1,628,741); net profit per share—\$ .51 (\$ .57); cash flow per share—\$1.18 (\$1.10). During that period the usual increase in net profits was retarded by reduced refinery earnings owing to the temporary diversion of jet aircraft from McWood's marketing area to Vietnam. It is anticipated that certain operational changes which have been accomplished at the Fort Worth refinery and the resumption of normal jet fuel consumption will bring the refineries to near normal profit levels during the balance of the fiscal year. The five natural gas plants are currently processing approximately 22 million cubic feet daily and liquid production (net to McWood) amounts to approximately 1,800 barrels daily. Extensive work continues on the heavy crude oil recovery programs with the main emphasis being concentrated on acreage in Wood County, Texas, where daily production is 400 to 500 barrels net to McWood. Steam injection was initiated in mid-December last following several weeks of testing various types of well equipment. McWood anticipates an injection period of four to six months will be required to form a tentative evaluation of the program. Pilot steam-flood projects are continuing in Kern County, California; Alberta, Canada; Edwards and Anderson Counties, Texas.

*All dollar figures are in U.S. Funds*



**THE SOUTHERN MARYLAND AGRICULTURAL ASSOCIATION  
OF PRINCE GEORGE'S COUNTY, MARYLAND, INC.**

A comparison of the net income and expenses for 1964 and 1965 follows:

	Year ended December 31,	
	1965	1964
Income:		
Pari-mutuel commissions, breakage and racing fund.....	\$5,114,365	\$4,929,589
Admissions, parking and concessions.....	1,239,478	1,195,900
Dividends and interest.....	56,652	102,866
	<u>\$6,410,495</u>	<u>\$6,228,355</u>
Expenses:		
Stakes, purses and awards.....	\$2,618,192	\$2,529,722
Track and mining salaries and related payroll costs.....	1,098,090	987,763
Rentals, licenses and other racing expenses.....	1,040,887	914,923
Depreciation.....	579,457	530,718
Interest expense.....	77,973	111,742
Management fees paid to affiliated company.....	120,000	120,000
Other track and mining, general and administrative expenses.....	257,136	182,690
	<u>\$5,791,735</u>	<u>\$5,377,558</u>
Income before the following charge.....	618,760	850,797
Loss on plant retirements and additional depreciation.....	118,066	438,212
Net income.....	<u>\$ 500,694</u>	<u>\$ 412,585</u>

1965 was a record year for S.M.A.A. The mutuel handle increased by \$2.1 million to \$59.8 million and attendance rose to 599,384 persons. The average bet was \$100. Net income at \$500,694 was 23% higher than the previous year and operations generated \$1,234,485. Capital expenditures aggregating \$507,000 and covering an addition to the grandstand, installation of two escalators and improvements to the stabling areas were made to Bowie Race Course.

Because of earlier losses believed available for Federal Income Tax purposes, no Federal Income Tax provision was made for the years 1962 to 1965.

During 1965 S.M.A.A. distributed its holding of 11.3% of the outstanding shares of General Tin Investments Limited to S.M.A.A. shareholders on the basis of 1.75 shares of General Tin for each S.M.A.A. share held. In the event that a S.M.A.A. shareholder did not wish the shares of General Tin to which he was entitled, The Patiño Mining Corporation offered to purchase any or all of the shares at \$1.36 U.S. per share, the market value of the shares at the time of the offer.

In 1966 Bowie Race Course was given a split race meet. The first meet ran from January 8 to February 12 and the second meet is running from March 28 to April 30.

S.M.A.A. carried on negotiations for, and subsequently completed, the purchase of Freehold Race Course which has operated since 1852 and is the oldest harness track in North America. Located in the Town of Freehold, New Jersey, it is within one hour's driving distance of Newark Airport and one and a half hour's distance from New York City and North Jersey. It comprises approximately 156 acres and is well serviced by roads and bus lines. There are seating facilities for 3,500 patrons, stables for 640 horses, parking space for 3,000 cars and cafeteria, betting and other facilities to handle attendance in excess of 15,000. Food and liquor are sold under vendor concession agreements. Freehold handles its own parking and sells its own programs. The track is a 5/8 mile oval with a width adequate to handle a 6-horse field. The grandstand is covered but open on the front and sides for the comfort of patrons during summer racing. The ground floor of the plant under the seats is totally enclosed and air conditioned. The track uses American totalisator, moving starting gate, photo finish, teletimer film patrol and telautograph. Freehold has been awarded 60 racing days for 1966 and will be open from August 8 to October 20.

*All dollar figures are in U.S. Funds*



## **ADVOCATE MINES LIMITED**

The results for 1965 (1964 figures are in brackets) were : (a) net income was \$2,059,794 (\$1,526,880) after providing for depreciation of \$1,246,697 (\$1,198,536) and the amortization of \$200,000 (\$200,000) of preproduction expense ; (b) cash generated from mine operations before capital expenditures was \$3,506,491 (\$2,925,416) ; (c) net expenditures on plant and equipment were \$2,449,811 (\$1,918,872). Advocate's working capital improved by \$845,514 and bank loans were reduced from \$3,300,000 to \$2,220,000.

The mill operated 323 days and produced 61,641 tons of fibre comprising 60,646 tons of A-25 and 995 tons of A-35. To accomplish this, 2,098,630 tons of ore were delivered to the crushing and drying plant thus giving a recovery of 2.94%. The fibre recovery was higher than in 1964 and production of A-25 fibre increased 20% with a marked improvement in quality. Fibre shipments aggregated 65,626 tons.

During 1965, 2,144,835 tons of ore and 4,480,374 tons of waste and overburden were mined—an increase of 43% over the previous year. The waste to ore ratio in 1965 was 2.09:1 (1.21:1). Additional large shovels and trucks became operative during the year and are having a favourable influence on pit mining costs.

At December 31, 1965 ore reserves were 36,369,000 tons. Early in 1965 a program of shallow diamond drilling commenced which with increased emphasis on pit geological mapping has improved the control of the grade of ore to be mined. Construction is proceeding on an improved concentration system which will permit a larger percentage of barren mine rock to be discarded before milling and thus allow the mining of lower grade ore while maintaining the milling operation at maximum capacity.

## **CANADIAN DREDGE & DOCK CO. LIMITED**

When Canadian Dredge and its subsidiaries, which were engaged in the fields of marine dredging and construction encountered operating and financial difficulties in 1963, your Company, when requested by Canadian Dredge directors and its bankers, provided senior management and direction. By May 1965 a drastic reorganization had been effected and it was clear that to resume profitable operations it was essential that Canadian Dredge obtain substantial additional funds to eliminate current bank indebtedness, to place Canadian Dredge in a position to obtain performance bonds and to finance new work. A refinancing plan was concluded with your Company's assistance and a subsidiary of your Company entered into a five year management contract with Canadian Dredge.

Although the current fiscal period of Canadian Dredge does not end until April 30 a recent statement by Canadian Dredge states that in the board's opinion a net profit after full provision for depreciation and all overheads will be made. This results not only from the dredging and marine construction activities of Canadian Dredge but also from the operations of a recent acquisition (the well established and successful Ruby Foo's Restaurant and Motor Hotel in Montreal) by Bedford Construction Company Limited, a wholly owned subsidiary of Canadian Dredge. Since portions of the tax loss carry forwards of Canadian Dredge and Bedford will be used, no allowance is being made for the payment of income taxes.



## REPORT OF THE AUDITORS

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PRICE WATERHOUSE & CO.

55 Yonge Street,  
Toronto 1  
February 25, 1966

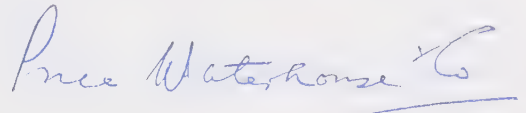
To the Shareholders of

The Patiño Mining Corporation (No Personal Liability) :

We have examined the consolidated balance sheet of The Patiño Mining Corporation (No Personal Liability) and consolidated subsidiaries as at December 31, 1965 and the consolidated statements of earnings and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of earnings and earned surplus, and the notes thereto, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1965 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying consolidated statement of source and application of funds for the year ended December 31, 1965 and in our opinion, it presents fairly the changes in working capital for the year.



Chartered Accountants.

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# THE PATIÑO MINING CORPORATION

(No Personal Liability)


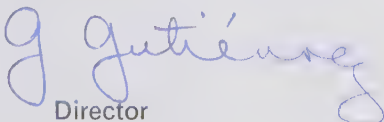
## AND CONSOLIDATED SUBSIDIARIES

### ASSETS

	December 31 1965	December 31 1964
<b>CURRENT ASSETS:</b>		
Cash.....	\$ 22,197	\$ 16,000
Marketable securities, at cost (market value 1965— \$1,150,050; 1964— \$582,247) .....	1,211,619	542,131
Amount receivable for securities sold .....	—	1,540,000
Accounts receivable .....	167,571	38,547
Estimated amount receivable for concentrates .....	3,483,108	3,250,114
Inventory of supplies, and prepaid expenses .....	509,596	499,945
	<u>5,394,091</u>	<u>5,886,737</u>
<b>INVESTMENTS, at cost (Note 1):</b>		
Non-consolidated subsidiaries .....	11,519,578	10,378,544
Associated and other companies—		
Common shares (quoted market value 1965— \$27,384,464; 1964— \$25,102,156) .....	10,994,553	8,016,793
Preference shares and convertible debentures .....	3,882,839	3,096,700
	<u>26,396,970</u>	<u>21,492,037</u>
<b>PROPERTY, PLANT AND EQUIPMENT, at cost:</b>		
Plant, equipment and townsite .....	8,452,741	8,343,008
Less—Accumulated depreciation .....	5,173,857	4,503,494
	<u>3,278,884</u>	<u>3,839,514</u>
Mining properties .....	4,353,975	4,353,975
	<u>7,632,859</u>	<u>8,193,489</u>
<b>OTHER ASSETS:</b>		
Deferred expenditures .....	17,406,735	16,899,231
Less—Amortization .....	6,668,756	5,431,845
	<u>10,737,979</u>	<u>11,467,386</u>
Deposits and miscellaneous .....	400,369	24,625
	<u>11,138,348</u>	<u>11,492,011</u>
	<u>\$50,562,268</u>	<u>\$47,064,274</u>



## LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31 1965	December 31 1964
<b>CURRENT LIABILITIES:</b>		
Bank advances (secured) . . . . .	\$ 1,092,251	\$ 1,870,648
Short term notes payable . . . . .	1,800,000	—
Accounts payable and accrued charges . . . . .	795,044	757,445
Mining tax payable . . . . .	140,306	105,850
Kerr Addison Mines Limited . . . . .	300,000	300,000
	<u>4,127,601</u>	<u>3,033,943</u>
<b>NON-CURRENT LIABILITIES:</b>		
Kerr Addison Mines Limited, payable by instalments—1967 and 1968 . . . . .	600,000	900,000
Bank loan (secured) . . . . .	3,250,000	3,096,700
	<u>3,850,000</u>	<u>3,996,700</u>
<b>SHAREHOLDERS' EQUITY (Notes 2 and 3):</b>		
Share capital, par value \$6.50 per share		
Authorized—5,000,000 shares		
Issued —3,862,000 shares (1964—3,652,500 shares) . . . . .	25,103,000	23,741,250
Premium on shares issued . . . . .	9,003,550	9,024,500
Earned surplus . . . . .	8,478,117	7,267,881
	<u>42,584,667</u>	<u>40,033,631</u>
<b>SIGNED ON BEHALF OF THE BOARD:</b>		
 Director		
 Director		
	<u>\$50,562,268</u>	<u>\$47,064,274</u>



# THE PATIÑO MINING CORPORATION

(No Personal Liability)

## AND CONSOLIDATED SUBSIDIARIES

	Year Ended	December 31	December 31
		1965	1964
Revenue :			
Metal sales.....		\$11,788,595	\$11,915,366
Less—Smelting, refining and freight.....		2,377,476	2,522,584
Net revenue.....		9,411,119	9,392,782
Costs and expenses :			
Mine operating, milling and general.....		5,410,875	5,209,783
Amortization of deferred expenditures.....		1,236,911	1,194,016
Depreciation.....		670,363	659,690
Corporate and administrative.....		509,801	454,606
Bank and other interest.....		282,976	401,814
		8,110,926	7,919,909
		1,300,193	1,472,873
Other income :			
Dividend income, less taxes withheld (Note 6).....		886,956	417,365
Sundry income—net.....		102,197	150,807
		989,153	568,172
		2,289,346	2,041,045
Provision for mining tax (Note 5).....		127,000	65,000
Net earnings.....		\$ 2,162,346	\$ 1,976,045
Balance, beginning of year.....		\$ 7,267,881	\$ 2,047,044
Net earnings.....		2,162,346	1,976,045
Net gain on disposal of investments.....		—	3,975,098
		9,430,227	7,998,187
Deduct—Dividends paid.....		952,110	730,306
Balance, end of year.....		\$ 8,478,117	\$ 7,267,881

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 1965

1. (a) The attached consolidated financial statements include the accounts of all subsidiaries of Patiño except General Tin Investments Limited, which is referred to below, and one other subsidiary that is relatively unimportant as to net assets and earnings, the investment in which is carried at \$149,673 (\$99,673 in 1964).

The investment in General Tin Investments Limited at December 31, 1965 consisted of 6,595,755 shares (5,872,745 shares in 1964) carried at \$11,369,905 (\$10,278,871 in 1964). As at December 31, 1965, Patiño held 61.1% of the outstanding shares of that company as compared with 54.4% at the end of 1964. The equity of Patiño in General Tin Investments Limited at December 31, 1965 based on the inclusion of the investment holdings of that company at quoted market value was approximately \$14,900,000 (\$12,400,000 in 1964). Patiño's share of the net profit of General Tin Investments Limited for the year 1965 exceeded dividends received by approximately \$225,000 as compared with an excess of \$150,000 in 1964: however, the increase was due to a change by that company in 1965 in the method of accruing dividend income in its accounts.

- (b) The holdings in shares and debentures of associated and other companies as at December 31, 1965 were as follows:

	Number of shares or par value	Percentage of outstanding shares or debentures
Common:		
Advocate Mines Limited.....	600,000	10.0%
Brunswick Mining and Smelting Corporation Limited.....	967,000	10.0%*
Canadian Dredge & Dock Co. Limited (see below).....	51,820	8.8%
McWood Corporation.....	300,000	16.7%*
The Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc.....	314,052	44.9%
Preference—\$100 par value:		
Advocate Mines Limited.....	30,967	17.3%
Convertible debentures:		
6½%, due June 8, 1971-75 Canadian Dredge & Dock Co. Limited.....	\$750,150	60.0%

\*adjusted to reflect dilution which may occur on exercise of conversion privileges.

- (c) It should be noted, particularly with respect to substantial holdings, that the values may be more or less than indicated by market quotations.
2. During 1965, stock options were exercised on 209,500 shares issued for cash amounting to \$1,340,800. Discount of \$20,950 incurred on the issue of these shares was charged to premium on shares issued.
3. (a) Options to purchase 116,000 unissued shares of the company (expiring 1971 to 1974) at prices from \$4.00 to \$8.50 per share were outstanding as at December 31, 1965, under an executive incentive plan.
- (b) An option to Compañía de Bonos, Acciones y Negocios Industriales, S.A. for the purchase of 400,000 unissued shares of the company (expiring on July 31, 1968) at \$7.00 per share was outstanding as at December 31, 1965.
4. The Company is contingently liable under a guarantee of bank indebtedness of Bedford Construction Company Limited, (a wholly owned subsidiary of Canadian Dredge & Dock Co. Limited) incurred in connection with the acquisition by that company of the assets and business of Ruby Foo's Enterprises Ltd. The amount of such indebtedness at December 31, 1965 was U.S. \$1,500,000 but this has since been reduced to U.S. \$1,300,000.
- Subsequent to December 31, 1965 the Company guaranteed bank indebtedness of The Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc., incurred relative to the acquisition of the properties of Freehold Racing Association up to U.S. \$1,500,000.
5. No income taxes have been provided in the accompanying statement of earnings as capital cost allowances and pre-production expenditures available for income tax purposes exceed profits otherwise taxable.
6. Dividend income in 1965 included \$467,152, representing the income portion (less U.S. withholding tax) of a special distribution made in June 1965 by the Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc.



# THE PATIÑO MINING CORPORATION

(No Personal Liability)

## AND CONSOLIDATED SUBSIDIARIES

	Year Ended	December 31	December 31
		1965	1964
Source of funds :			
Net earnings . . . . .		\$ 2,162,346	\$ 1,976,045
Depreciation . . . . .		670,363	659,690
Amortization of deferred expenditures . . . . .		1,236,911	1,194,016
Sale of investments . . . . .		—	6,784,681
Issue of shares . . . . .		1,340,800	32,000
Non-current bank loan . . . . .		153,300	—
		<u>5,563,720</u>	<u>10,646,432</u>
Application of funds :			
Deferred expenditures . . . . .		507,504	1,059,565
Plant and equipment (net) . . . . .		109,733	173,831
Payment to Kerr Addison Mines Limited . . . . .		300,000	300,000
Acquisition of investments . . . . .		4,904,933	6,260,031
Dividends . . . . .		952,110	730,306
Deposits and miscellaneous (net) . . . . .		375,744	(61,282)
		<u>7,150,024</u>	<u>8,462,451</u>
Increase (decrease) in working capital :			
Working capital at beginning of year . . . . .		2,852,794	668,813
Working capital at end of year . . . . .		1,266,490	2,852,794
		<u>\$ (1,586,304)</u>	<u>\$ 2,183,981</u>

# THE PATIÑO MINING CORPORATION

(No Personal Liability)

## COPPER RAND MINES DIVISION

### Report of the Management

The President and Directors,  
The Patiño Mining Corporation.

Gentlemen :

We review herein the operations of the Copper Rand Mines Division for the year ended December 31, 1965.

### PRODUCTION

The mill operated 362 days and averaged 1,837 tons per day, compared with 1,862 tons per day in 1964. Mill feed was obtained throughout the year from the Copper Rand, Bouzan, Jaculet, Portage and Quebec Chibougamau mines. Production of copper decreased 9%, mainly due to labour problems, lower grade of ore treated and slightly lower recovery. Despite higher mining costs, operating profit increased by about 20% because of lower expenditures on deferred development and higher prices received for copper.

Tons milled were :

Mine	1965	1964
Copper Rand.....	353,070	344,431
Bouzan.....	35,554	46,255
Jaculet.....	77,393	21,622
Portage.....	151,276	181,706
Quebec Chibougamau Goldfields.....	45,958	80,117
Total.....	663,251	674,131
Average daily milling rate.....	1,837	1,862

	Copper	Gold	Silver
Mill head grade.....	2.25%	0.047 oz./ton	0.31 oz./ton
Concentrate grade.....	24.54%	0.441 oz./ton	3.14 oz./ton
Recovery.....	95.15%	82.13%	78.2%
Metals contained in concentrates shipped :			

	1965	1964
Copper.....	27,915,099 pounds	30,513,559 pounds
Gold.....	24,451 ounces	36,986 ounces
Silver.....	166,381 ounces	186,006 ounces



## MINE DEVELOPMENT AND MINING

Development and diamond drilling were continued at a high rate at all the mines to outline known ore and in the search of new orebodies. Total lateral development decreased from 28,051 feet in 1964 to 22,835 feet in 1965 and footage of raising decreased 8 percent. However, diamond drilling increased from 78,131 feet in 1964 to 117,360 feet in 1965. Ore reserves reflect a net increase of 329,000 tons during the year, but ore grade is slightly lower than at the previous year end.

### COPPER RAND MINE

The Copper Rand mine produced 353,070 tons averaging 2.52% copper. A total of 174,899 tons grading 3.25% copper was mined from the Eaton Bay zone and 178,171 tons grading 1.78% copper from the Machin zone. Mining was carried out in 23 stopes in the Machin and Eaton Bay zones between the 275 and 1770-foot levels. A sub-level stope was developed in the Machin zone which contributed 12% of the total ore produced.

On the 700-foot level the main drift was advanced 1,315 feet to the west in the Machin zone. Exploratory drilling between this level and the 1300-foot elevation has developed an ore lens estimated to contain 120,000 tons averaging 2.30% copper.

On the 1470-foot level the main west drift was driven 429 feet in the Machin area. Diamond drilling confirmed the downward extension of the ore lenses to this horizon in this section of the mine.

The main haulage drift in the Machin zone on the 1910-foot level was driven 1,003 feet to the west. Drifting and diamond drilling have indicated a total of 1,300 feet of ore of better-than-average grade in several lenses.

### BOUZAN MINE

Ore supplied to the mill totalled 35,554 tons grading 2.23% copper. Mining was conducted in 6 stopes in the Eaton Bay and South Eaton Bay zones. The main drift to the east on the 1620-foot level was advanced 834 feet to the Copper Rand boundary. Drifting and diamond drilling outlined a total of 430 feet of ore.

### JACULET MINE

Ore supplied to the mill amounted to 77,393 tons grading 2.11% copper. Mining was conducted in 8 stopes in the No. 1 and No. 2 ore zones.

In the No. 2 zone the main drift on the 750-level was advanced 959 feet to the east. Drifting and diamond drilling have indicated 500 feet of ore in several lenses. Also in this zone the 900-level main drift was driven 773 feet to the east and continuity of ore shoots to this level was confirmed.

In the No. 1 zone the west drift on the 900-level was advanced 886 feet but no ore was indicated by this work. Exploration of this zone on the 1200-level to the east is in progress.

The vigorous program of exploration and development at this mine has resulted in increase of ore reserves from 195,000 tons at 2.04% copper in 1964 to 392,000 tons at 2.04% copper at the end of the current year.

### PORTAGE MINE

Production from the Portage mine totalled 151,276 tons averaging 2.26% copper and 0.110 ounce gold. Mining was carried out in 12 stopes between the 250 and 1000-foot levels. On the 700-foot level drifting to the east of the main zone developed 143 feet of ore. This ore shoot has been found to continue down to the 850 level. On the 1150-foot level a strike length of 500 feet of ore was outlined to the east of the shaft crosscut. The main crosscut on the 1300-foot level was advanced 1,175 feet and development of the ore zones commenced.

### QUEBEC CHIBOUGAMAU GOLDFIELDS MINE

This mine is being operated on a long-term lease. During 1965 it produced 45,958 tons grading 1.71% copper and 0.099 ounce gold. Mining was conducted in 9 stopes from the 250-foot level to the 800-foot level. Ore reserves are insufficient to maintain production throughout 1966.

On the 800-foot level an exploration drift was advanced about 2,025 feet to the east into Copper Rand property.

## SUMMARY OF UNDERGROUND WORK

	Copper Rand	Bouzan	Jaculet	Portage	Quebec Chibougamau	Totals
Shaft stations (cu. ft.) . . . . .	—	3,900	—	—	—	3,900
Drifts and crosscuts (ft.) . . . . .	6,227	1,092	5,091	7,340	3,085	22,835
Raises (ft.) . . . . .	2,134	816	789	1,446	637	5,822
Diamond drilling (ft.) . . . . .	48,679	7,262	14,336	32,365	14,718	117,360



## ORE RESERVES

Although 663,251 tons of ore were extracted from the Company's mines during the year, reserves were increased by 329,000 tons, to 4,816,000 tons. The grade of the reserves is 2.44% copper and 0.063 ounce gold, compared with 2.49% copper and 0.061 ounce gold at previous year end. Comparable ore reserves at the various mines are as follows:

	As at December 31, 1965			As at December 31, 1964		
	Tons	% Cu	Oz. Au	Tons	% Cu	Oz. Au
<b>COPPER RAND MINE</b> (above 1910 level)	2,230,000	2.46	.025	2,119,000	2.54	.025
<b>BOUZAN MINE</b> (above 1620 level) . . . .	793,000	3.14	.025	887,000	3.04	.025
<b>JACULET MINE</b> (above 1200 level) . . . .	392,000	2.04	.025	195,000	2.04	.025
<b>PORTAGE MINE</b> (above 1300 level) . . .	1,379,000	2.13	.158	1,237,000	2.11	.153
Totals . . . . .	4,794,000	2.44	.063	4,438,000	2.50	.061
<b>OTHER PROPERTIES</b> . . . . .	22,000	2.03	.102	49,000	1.67	.070
<b>GRAND TOTAL</b> . . . . .	4,816,000	2.44	.063	4,487,000	2.49	.061

## SURFACE EXPLORATION

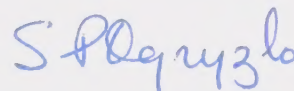
Surface exploration consisted of limited geophysical surveys and 4,171 feet of diamond drilling from the ice of Doré Lake to investigate mineralized zones on the Copper Rand and Quebec Chibougamau Goldfields properties. No ore shoots were indicated by this work.

## LABOUR

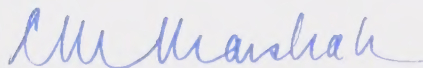
The total labour force at year end was 590, compared with 597 in 1964. Excessive labour turnover and shortage of experienced miners continued to affect operations. The situation was aggravated by prolonged negotiations with the United Steel Workers of America for a new labour agreement.

We wish to record our appreciation of the efficient services rendered by Messrs. H. V. Pyke, General Superintendent, C. W. Eggert, Mill Superintendent, M. J. Tessier, Mechanical Superintendent, I. S. Parrish, Chief Geologist, D. H. Mather, Administrative Manager, and their staffs, and to thank all employees for their cooperation and efforts.

Yours faithfully,



Vice-President.



Mine Manager.

March 29, 1966.



